

FOR 29 YEARS, THE LEADING PUBLICATION COVERING CONSUMER PAYMENT SYSTEMS WORLDWIDE

STORE CARDS IN THE U.S. 1997 The number of credit cards issued by and for stores in the United States for use exclusively at their own outlets increased by 8.5 million during 1997 to 598.3 million. However, the number of active accounts declined from 166.9 million to 166.2 million. Spending on cards totalled \$112.90 billion, essentially unchanged from 1996. Outstandings of \$85.03 billion were up less than ... (turn to page 6)

PRECHARGE-OFF OUTSOURCING Visa and MasterCard accounts in the United States with balances between 30 and 180 days past due totalled 7.1 million at year-end 1997. The amount delinquent on these accounts totalled \$18.75 billion. (turn to page 9)

VISA ELECTRON TO ASIA The "Visa Electron" debit card brand is moving into the Asia/Pacific region to replace 17.1 million Interlink-brand debit cards issued in nine countries. The mark first appeared in Spain and the United ... (turn to page 10)

SUBPRIME BANK CLOSES The Federal Deposit Insurance Corp. is temporary owner of more than 500,000 Visa credit card accounts that belonged to BestBank of Boulder, Colorado until that privately held financial ... (turn to page 7)

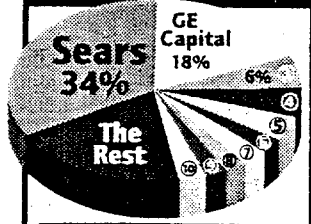
THOMAS COOK TRAVEL ENHANCEMENTS Credit card issuers, operators of loyalty programs, and corporations can purchase a range of travel-protection services from the Thomas Cook Group, owned by Westdeutsche ... (turn to page 4)

TOP 100 BANK CREDIT CARDS AT MIDYEAR See page 5 for the latest ranking by outstandings and charge volume (purchase and cash advances) of the largest Visa and MasterCard credit card issuers in the United States. (see table on page 5)

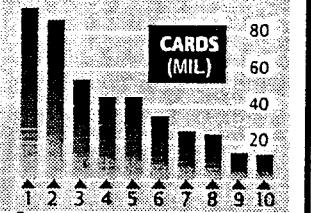
VITAL ADDS TERMINAL SALES Vital Processing Services, a merchant-processing-company joint venture of Visa U.S.A. and Total System Services, has formed a marketing alliance with AMS, one of the big three ... (turn to page 4)

INSIDE: Fast Facts, Job Mart, & Management Changes (Pages 2 & 3) ... POS Terminal Resellers (Page 4) ... Electron & Maestro Debit Cards by World Region (Page 10)

LEADING STORE CARD ISSUERS in the U.S. 1997



OUTSTANDINGS	(MIL)
1. Sears	\$28,945
2. GE Capital	\$15,710
3. JCPenney	\$5,242
4. Household	\$4,376
5. Beneficial	\$3,517
6. Dayton Hudson	\$2,424
7. Banc One	\$2,350
8. Federated	\$2,222
9. May	\$2,164
10. SPS	\$1,900



1. JCPenney	94.3
2. Sears	87.0
3. GE Capital	54.6
4. Federated	45.6
5. May	45.4
6. Dayton Hudson	34.7
7. Alliance Data	27.0
8. Dillard's	24.6
9. Spiegel	14.7
10. Nordstrom	13.9

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M&T BANK has sold its bank credit card business with \$229 million in outstandings to MBNA. Brian Dalphon is SEVP at MBNA, (302) 432-1251, fax (302) 456-8541.

FIRST USA has acquired the \$31-million bank card portfolio of Webster Bank. Michael Paquin is VP Partnership Mktg. at First USA, (302) 594-4187, fax (302) 594-4291

REGIONS BANK'S acquisition of First Commercial of Ark. adds a 40,000 account, \$40 million bank credit card portfolio that had been serviced by Security National of Okla. Jackie Oliver is SVP at Regions. (334) 280-5459, fax (334) 280-5475.

PAYMENTNET (formerly Segue Systems) operates a single source, automated, multipayment, secure gateway for real-time processing of Internet card payments and electronic checks. The gateway can support merchants who require recurring billing, installment payments, delayed product shipments, and immediate soft goods delivery. Colleen Isaacs is VP (925) 598-1103, fax (925) 225-1680.

SIMS COMMUNICATIONS, provider of DebitLink POS terminals, ATM/POS transaction processing, and prepaid phone cards, has received \$1.2 million in equity funding in a private placement. Mark Bennett is CEO, (714) 724-9094, fax (714) 261-0323.

ALLIANCE DATA SYSTEMS has acquired The Loyalty Group of Canada, operator of the Air Miles consumer loyalty program that offers free air travel and other rewards. U.S.-based ADS is a cardholder and merchant processor. Mike Parks is CEO at ADS, (972) 960-5100, fax (972) 960-5330. Craig Underwood is CEO at TLG, (416) 228-6560, fax (416) 733-1488.

EQUIFAX has acquired The Decisioneering Group, specialists in decision-support technology (sometimes called knowledge engineering) and strategic consulting. Thomas Blischok, CEO at TDG, is now EVP at Equifax, (604) 949-8566, fax (604) 949-9267

GE CAPITAL will pay up to \$100 million to settle a class-action lawsuit related to claims that the private-label credit card issuer improperly entered into reaffirmation agreements with about 90,000 bankrupt customers.

TRANSMEDIA NETWORK, operator of a discount-dining-card program with 1.3 million members, will acquire card registration, premium card, and other fee-based enhancement programs with about 300,000 members from The Reunion Group. Steven Halmos, former CEO at SafeCard, heads TRG, (954) 760-4980, *fax* (954) 760-4983. Melvin Chasen is CEO at TN, (305) 892-3343, *fax* (305) 892-3342.

JOB MART — POSITIONS AVAILABLE Subscribers pay \$300 per 100 words

SPEER & ASSOCIATES, INC. (S&A) an Atlanta-based financial services consulting firm, seeks experienced bankers with strong backgrounds in retail financial services. We are adding two consulting professionals in the credit card and EFT areas as a result of continued growth in these areas. S&A consultants work with clients in strategic planning, product development, business evaluations, financial analysis, and delivery system reengineering. **Credit Card Consultant** qualifications include 10+ years of experience with a major card issuer/acquirer, focusing on credit, collections, customer service, merchant sales/service, and general operations. Familiarity with major third-party processors and direct experience in other areas of consumer credit also desirable. **EFT Consultant** qualifications include 8+ years in managing major (200+) ATM programs, debit cards, and POS activities. Experience in marketing, operational/technical, financial and planning areas desirable, along with related shared network development. Candidates should send resume with salary history to: Ms. Wendy Enflon, Speer & Associates, 1000 Peachtree Road, Bldg. 5100, Atlanta, GA 30350. Tel: 404/525-1272, or e-mail: wenflon@speerandass.com.

TRANSALLIANCE is a leading West Coast provider of middle management and related services to the financial industry. We have an opening for a Product Manager responsible for product line strategy, management, and development. The responsibilities include preparing business plans, analyzing client needs, product line strengths and

opportunities, and the impact of competitive products functional specifications. Requires EFT product and service background, strong verbal/written communication skills, PC proficiency. Knowledge of e-commerce a plus. We are also seeking an **Account Executive** to perform sales calls and manage account relationships with financial institutions in the western United States. Successful candidates should have a minimum of five years selling EFT services to the financial services industry, three to five years EFT customer service experience, possess strong prospecting skills, and work well in an environment that demands accountability. All inquiries will be kept confidential. We offer a highly competitive compensation package and benefits plan. Send resume and cover letter to: TransAlliance, HR, 15395 SE 30th Place, Bellevue, WA 98007. An Equal Opportunity Employer.

VISA INTERNATIONAL The Latin America and Caribbean region office located in Miami, Florida is currently seeking a **Financial/Credit Risk Manager** to conduct credit analysis of foreign banks. Responsibilities include managing exposure and preventing loss associated with Visa Member Banks and implementing appropriate risk control measures. This will include evaluating Member Banks to determine collateral requirements. Requirements include: 4+ years experience assessing bank risk within the Latin America and Caribbean Region. Expertise in collateral instruments, letters of credit, assignments of deposits, commercial/mutual funds, Bachelor's Finance/Business Accounting degree. EOE M/F H/V.

ACOM, a consumer finance company, has obtained a license from MasterCard International to issue credit cards in Japan where MasterCard has 18 principal members. Koza Furuta is VP Mktg. at MasterCard, 81 (3) 535-09204, fax 81 (3) 535-08052. Kazuhiro Shimada is Dir. Bus. Planning at Acom, 81 (3) 328-13333, fax 81 (3) 328-13220.

MAG-TEK, manufacturer of card readers, MICR check readers, encoders, and motorized readers, has opened an office in Bangkok, Thailand to serve Southeast Asia. Steve Birkes is Mng. Dir., 66 (2) 713-3391, fax 66 (2) 713-1330.

NOVA LJUBLJANSKA BANKA, Banka Koper, and Activa Group of Slovenia are adding the Maestro brand to their 700,000 debit cards. The move gives Maestro virtually 100% of the market. Craig Browne is Reg. Bus. Mgr. at Europay, 32 (2) 352-5914, fax 32 (2) 352-5992. Ivan Rudolf is Sec. Gen. at NLB, 386 (61) 222-472, fax 386 (61) 210-564.

BULL and **INFORÉALITÉ**, both of France, have formed a joint venture called **XIRING** to manufacture battery-powered, handheld smart card readers that show cardholders funds remaining in their prepaid card or electronic purse. Jack MacKeen is VP at Bull, (978) 294-2050, fax (978) 294-3671. Georges Liberman is Pres. at XIRING 33 (1) 442-38981, fax 33 (1) 396-64402.

CITIBANK has become the first issuer in Japan to add the Maestro logo to its debit cards. Hiromi Kumamoto is VP Branch Oper. at Citibank, 81 (3) 546-25820, fax 81 (3) 546-25849. Yasuhiro Sakamoto is Mgr. Member Relations at MasterCard, 81 (3) 535-09208, fax 81 (3) 535-08052.

PAYSYS, supplier of VisionPLUS credit/debit card management system for issuers and acquirers, has signed licensing agreements with National Australia Bank, ANZ Bank, Colonial State Bank, and WestpacTrust since the first of the year. Maurie Shockman is Dir. Sales at PaySys, 51 (2) 968-64082, fax 51 (2) 968-66741.

CENTRO DE INTERCAMBIO AUTOMATIZADO of Panama operates ACH Directo, Latin America's only automated clearing house network with same-day settlement. Orlando Garcia is Gen. Mgr. at CIASA, (507) 269-5896, fax (507) 263-7037.

POINT SCANDINAVIA, a VeriFone distributor, has opened a new sales office in Riga, Latvia where Zanda Brivule is Mng. Dir., (371) 732-3094, fax (371) 732-4270.

PROTON WORLD INT'L has been formed to continue the development and licensing of Proton smart card technology. Shareholders in PWI are Visa, American Express, Banksys of Belgium (developer of the PWI's assets), and ERG Card Systems of Australia (developer/supplier of multiple-application smart card systems). Armand Linkens is Mng. Dir. at PWI, 32 (2) 727-6255, fax 32 (2) 727-6767.

(nonsubscribers \$500) for Job Mart positions.

Fully bilingual English/Spanish, Portuguese a plus. Please forward resume to: Visa International, Human Resources, Fax (305) 551-5968, e-mail careers@visa.com. For more information on careers at Visa visit our website at www.visa.com/careers/ or call our JobsLine at (888) 901-VISA. Visa International is an equal opportunity employer. M/F/D/V.

SCHLUMBERGER seeks **Software Engineer**. Maintain and enhance company Delta-21 operating system. Support smart card development. Maintain and update Delta-21 development environment, including PC utilities and documentation. Design and develop Delta-21 system applications. Provide support to customization team in application development stage and provide customer support as required. Design and develop Magic 3000, 6000 and 9000 Applications Libraries and Customized Application Manager software. Conduct Training classes for VAMP users on application applications on the Magic series of processors. Requirements: M.S. or equivalent in Electrical Engineering or Computer Science. Must have working knowledge of C, C++, and assembly language. Experience of embedded systems, real-time routines and device drivers, experience in low level communications hardware, and knowledge of VAMP architecture and development of software utilizing VAMP architecture. Salary: \$40,000 to \$70,000 per year. Send resume to: Schlumberger, 1601 Schlumberger Drive, Houston, TX 77057.

MANAGEMENT CHANGES

Thomas Butler, President and COO at Novus Services, the credit card unit of Morgan Stanley, Dean Witter & Co., will retire at year-end, (847) 405-3012, fax (847) 405-1013. **Young Chong Kim**, formerly at Dong Ah Securities, has been appointed Pres. Visa Korea, 82 (2) 311-1800, fax 82 (2) 752-7268. **John Cahill**, formerly at First Data Corp., has been appointed President and CEO at First Teleservices Corp., (404) 264-1555, fax (404) 264-0150. **William Redman** has been appointed EVP Retail Credit at EAB, (516) 357-1271, fax (516) 357-1283. **George Lee**, formerly at MasterCard Int'l, has been appointed VP Financial Industry Mktg. at DataCard Corp., (612) 988-1394, fax (612) 988-1568.

CONFERENCES & SEMINARS

SCANDICARDS '98: Sept. 8-11, Hall 2, Sollentunamässan, Stockholm, Sweden. Readers of *The Nilson Report* who identify themselves when they register by phone will receive a 20% discount on fees which range from \$490 (half-day) to \$2,100 (four days). Contact Jenny Börjesson at AIC Worldwide, 46 (8) 588-31000, fax 46 (8) 588-31030. **IQPC CARD CONFERENCE**: Sept. 29-30, The Berners Hotel, London, England. Readers of *The Nilson Report* who identify themselves when they register by phone will receive a 15% discount on fees which range from \$675 (workshop only) to \$1,917 (conference only). Contact Stephanie Richardson at IQPC, 44 (171) 430-7300, fax 44 (171) 430-7301.

Vital Adds Terminal Sales (from page 1) ...distributors of newly manufactured and refurbished POS terminals in the U.S. The other two are Horizon Group and TASQ Technology. AMS makes Vital a single-source supplier of merchant services. Vital handles the front-end point-of-sale products — authorization, draft capture, help desk, network services, etc. TSY

handles the back-end data processing and accounting for merchant statements. AMS will provide POS terminal services including warehousing, deployment, merchant training, repair, etc. Stevan Berardo is EVP at Vital Processing Services in Tempe, Arizona, (602) 333-7650, fax (602) 333-7675.

REFURBISHED TERMINALS. Banks and independent service organizations who sign card-processing contracts with merchants can purchase refurbished point-of-sale terminals at prices substantially lower than new units. Of the 14 firms listed here, some are quite small and buy their products from larger firms. Competition among these companies is stiff, profit margins are slim, and the industry is ripe for consolidation. TASQ Technology led the way by acquiring ASK Technical ten months ago. In the last two months, AMS acquired Supply Xpress and National Bankcard Association. □

Thomas Cook (from page 1) ... Landesbank of Germany. Cook's newly formed Global Services division helps resolve problems faced by leisure and business travelers through a call center in Peterborough, England set up by telecom carrier MCI's Systemhouse unit and by customer-service-applications specialist Chordiant Software. The call center, accessed by toll-free telephone, employs over 200 bilingual representatives able to speak more than 30 languages. These representatives are available on a seven-day 24-hour basis to provide customers worldwide with a central source of assistance with changes in airline ticketing and hotel reservations, replacement of lost cards, emergency cash, medical and legal referrals, and other services. Shaun Astley is Managing Director at Thomas Cook Global Network and Services division in London, 44 (171) 408-4522, fax 44 (171) 408-4217.

FINANCIAL SERVICES. Thomas Cook Group operates a leisure travel division with 383 retail outlets in the U.K. and some in Canada, but most of its \$1.75 billion in annual operating income comes from its Financial Services division. Cook trails only American Express as a seller of travelers cheques. Last year, Cook sold more than \$13 billion worth (down 3%) in 75 countries (12 currencies) — 65% co-branded with MasterCard and 35% co-branded with Visa. Sales are flat or

declining in mature markets although Cook is seeing growth in Eastern Europe, Latin America, and Africa. Co-branded Thomas Cook/Visa Travel Money prepaid mag-stripe cards for ATMs issued in all world regions are also growing.

Cook has more than 100,000 outlets worldwide — 35,000 of them wholly owned currency exchanges and the rest financial institutions selling cheques and/or providing currency exchange. John Hempsey is Managing Director Financial Services in Peterborough, U.K., 44 (1733) 502-411 fax 44 (1733) 503-448. Prior issues: 580, 577, 571, 525, 496, 476 □

POS TERMINAL RESELLERS REFURBISHED EQUIPMENT

AMS Ty Perrault is Product Manager in Sacramento, California, (916) 928-1999, fax (916) 928-1005.

Automated Transaction Technologies Natalie Nguyen is President in Fountain Valley, Calif., (714) 593-1543, fax (714) 593-5753.

CDE Services Joseph Barna is President in Marietta, Georgia, (770) 499-5000, fax (770) 499-5015.

Equipment Locator Services Billy Hitt is President in Knoxville, Tennessee, (423) 609-8209, fax (423) 609-9677.

General Credit Forms Glen Taylor is COO in Earth City, Missouri, (314) 216-8600, fax (314) 216-8570.

Gibbs Management Group Chris Gibbs is VP Sales in Duluth, Georgia, (770) 813-3443, fax (770) 476-7677.

Horizon Group Scott Rutledge is Exec. VP in St. Louis, Missouri, (314) 991-6040, fax (314) 991-6041.

L.H. Enterprises Larry Henry is President in Marietta, Georgia, (770) 509-7785, fax (770) 649-2949.

Resource Leasing Corp. Audrey Blackmon is Manager Telesales in Herndon, Va., (703) 925-9450, fax (703) 925-9456.

SPS Payment Systems Steve Maxwell is VP in Riverwoods, Illinois, (847) 405-2015, fax (847) 405-4856.

TASQ Technology Ron Chaisson is President in Rocklin, California, (916) 632-7600, fax (916) 630-2168.

Telecom Business Services Laura Cooper is President in Anaheim, California, (714) 991-9941, fax (714) 517-0246.

Teertronics Shawn Teer is Owner in Carrollton, Texas, (972) 735-8880, fax (972) 735-0789.

The Supply Department Bill Matthews is President in Heath, Ohio, (740) 522-2150, fax (740) 522-2150.

TOP 100 BANK CREDIT CARDS IN THE U.S. AT MIDYEAR (JUNE 30) 1998

OUTSTANDINGS			ISSUER	CHARGE VOLUME		
Rank	(mil.)	Chg.		Rank	(mil.)	Chg.
1	\$60,300.0	+32%	Citibank	1	\$58,100.0	-20%
2	\$43,778.0	+12%	MBNA America	2	\$33,198.0	-16%
3	\$39,900.0	-15%	Bank One/First USA	4	\$22,743.0	-18%
4	\$31,400.0	-19%	Chase Manhattan	5	\$21,400.0	-17%
5	\$17,169.1	-3%	Household Bank	6	\$16,647.6	-2%
6	\$17,107.8	0%	First Chicago NBD	3	\$23,665.5	-7%
7	\$14,765.0	-422%	Fleet Bank	11	\$6,966.0	-331%
8	\$13,066.0	-7%	Capital One	10	\$8,609.3	-7%
9	\$10,912.0	-10%	Bank of America	9	\$11,756.0	-16%
10	\$9,847.6	-4%	NationsBank	8	\$13,203.3	-16%
11	\$9,700.0	-40%	Provident Bancorp	13	\$5,000.0	-30%
12	\$7,026.7	-37%	Wells Fargo	12	\$5,261.6	-7%
13	\$6,204.0	-31%	U.S. Bancorp	7	\$14,740.0	-32%
14	\$6,010.4	-12%	Wachovia Bank	15	\$3,985.3	-15%
15	\$5,770.3	-11%	First Union	16	\$3,577.0	-10%
16	\$5,724.0	+27%	GE Capital Consumer	19	\$3,079.3	-14%
17	\$5,600.0	-7%	Associates Nat'l	20	\$3,011.0	-10%
18	\$5,253.0	+3%	Chevy Chase FSB	18	\$3,218.9	0%
19	\$4,153.9	-12%	PNC Bank	17	\$3,514.2	-7%
20	\$3,881.0	-9%	Direct Merchants	26	\$1,589.4	-49%
21	\$3,525.6	+1%	USAA Federal Sav.	14	\$4,331.3	-13%
22	\$3,412.5	+3%	First of Nebraska	24	\$1,936.8	-7%
23	\$3,164.4	+8%	People's Bank	21	\$2,998.9	-26%
24	\$2,189.2	-87%	National City	23	\$1,937.3	-85%
25	\$1,979.8	-41%	Partners First	33	\$1,024.1	-9%
26	\$1,769.2	-16%	Mellon Bank	30	\$1,118.1	-16%
27	\$1,752.7	+9%	First N. Amer. Nat'l	34	\$913.7	-9%
28	\$1,679.5	-42%	Travelers Bank	22	\$2,462.5	+54%
29	\$1,465.4	-18%	Key Corp	28	\$1,145.8	-19%
30	\$1,333.8	-24%	Marine Midland	25	\$1,932.5	-2%
31	\$1,159.9	0%	Norwest Bank	32	\$1,046.3	+9%
32	\$1,118.7	-8%	Crestar Bank	43	\$434.5	-23%
33	\$1,021.2	0%	SunTrust	36	\$855.7	+13%
34	\$845.7	+14%	Navy FCU	35	\$864.1	+26%
35	\$789.7	+8%	Firstar	27	\$1,237.5	+20%
36	\$677.8	+1%	Town North Nat'l	41	\$512.8	-8%
37	\$636.6	-44%	Mercantile Bank	46	\$370.4	-45%
38	\$603.4	+17%	Huntington Nat'l	42	\$503.5	+13%
39	\$593.1	+160%	Cross Country Bank	44	\$424.0	+154%
40	\$543.0	+6%	First Tennessee	39	\$555.4	+17%
41	\$529.8	-15%	Comerica Bank	47	\$368.8	+71%
42	\$524.2	-2%	Commerce Bank Omaha	40	\$543.0	+5%
43	\$513.3	-2%	Columbus B&T	45	\$401.3	0%
44	\$463.4	-16%	Union Planters	51	\$304.5	-13%
45	\$449.8	-5%	Associated Card Serv.	55	\$257.4	-11%
46	\$418.4	0%	Star Banc	53	\$289.4	0%
47	\$371.6	+9%	European American	31	\$1,056.3	+17%
48	\$359.3	+23%	Branch B&T	48	\$347.4	+36%
49	\$355.4	0%	Pentagon FCU	56	\$241.4	+9%
50	\$335.0	-3%	Fifth Third	38	\$560.0	+9%
51	\$330.7	-52%	First Consumers Nat'l	52	\$299.5	-78%
52	\$299.4	-82%	Prudential B&T	37	\$698.7	-51%
53	\$273.8	-2%	Bank of Hawaii	58	\$238.3	-7%
54	\$260.0	-37%	GE Capital Financial	29	\$1,138.0	-36%
55	\$253.7	-23%	Compass Bank	67	\$173.9	-26%
56	\$245.8	-45%	AmSouth Bank	49	\$319.9	-9%
57	\$239.5	-1%	Dial Bank So. Dak.	90	\$105.9	+10%
58	\$234.6	-32%	1st Financial So. Dak.	95	\$90.4	-23%
59	\$232.5	-13%	SouthTrust Bank	64	\$191.8	-25%
60	\$229.0	-9%	Manuf. & Traders	50	\$309.0	-31%
61	\$224.6	-13%	First Hawaiian	78	\$135.7	-13%
62	\$217.3	-194%	Best Bank	76	\$141.0	-200%
63	\$216.2	-2%	Citizens Bank RI	70	\$166.3	+11%
64	\$208.4	-7%	Dial Nat'l Iowa	72	\$156.5	-11%
65	\$200.2	-16%	Nordstrom Nat'l	68	\$167.6	-15%
66	\$196.6	-5%	First Security	59	\$227.2	-8%
67	\$186.0	-93%	Ohio Savings	88	\$107.3	-26%
68	\$184.6	-14%	Boeing Employees CU	57	\$239.1	-39%
69	\$183.0	+8%	Regions Financial	62	\$206.3	-9%
70	\$177.0	-48%	Orchard Bank	80	\$133.9	-73%
71	\$174.1	-12%	Nat'l Bank of Commerce	54	\$269.2	-44%
72	\$168.1	-8%	First Citizens B&T	60	\$220.3	-18%
73	\$165.0	-30%	Beneficial Nat'l	61	\$220.0	-39%
74	\$162.2	-4%	Simmons First Nat'l	74	\$145.6	-8%
75	\$162.0	0%	First Virginia	66	\$179.0	-8%
76	\$159.4	0%	Central Carolina	83	\$127.1	-14%
77	\$157.6	-16%	Sears National	93	\$97.4	-14%
78	\$153.6	+21%	Penn State Empl. CU	85	\$117.4	-16%
79	\$150.8	-35%	Intrust Bank	77	\$139.1	+1%
80	\$148.5	+5%	UMB Bank	65	\$183.7	+11%
81	\$134.2	-10%	Carolina First	82	\$127.5	-2%
82	\$125.4	+1%	Golden 1 CU	86	\$115.7	-3%
83	\$121.9	-8%	AFBA Industrial	75	\$141.3	-6%
84	\$121.6	+8%	M&I Bank	63	\$201.6	-6%
85	\$114.8	-17%	Fidelity National	109	\$58.2	-4%
86	\$113.9	+4%	Zions Bank	69	\$167.5	-7%
87	\$112.9	+1%	Hughes Aircraft FCU	99	\$69.4	+12%
88	\$111.8	-5%	Patelco CU	89	\$107.2	-2%
89	\$111.2	-10%	Teachers CU	105	\$61.4	-11%
90	\$111.1	+10%	Orange Cty. Teach. CU	81	\$132.0	+14%
91	\$110.3	+3%	First Nat'l of Marin	112	\$53.5	+18%
92	\$105.1	+14%	Standard Federal	91	\$104.0	+4%
93	\$104.7	+30%	Digital Employees CU	97	\$80.1	+38%
94	\$101.3	+1%	Travis Federal CU	98	\$72.2	+6%
95	\$97.3	-6%	Amalgamated Bank	79	\$133.9	0%
96	\$95.4	+1%	First American Nat'l	110	\$58.0	-18%
97	\$92.9	+5%	FirstMerit Bank	92	\$99.0	+9%
98	\$83.5	+6%	Security National	102	\$63.0	+9%
99	\$83.2	+7%	Baxter CU	87	\$110.4	+15%
100	\$83.2	+3%	Iowa League CU	96	\$90.1	+3%

TOP 100 Outstandings \$360,480.1
BANKS Volume \$303,231.4

Volume = purchases and cash advances (including balance transfers). Chg. Outstandings = change vs. June 30, 1997. Chg. Volume = change vs. first six months of 1997. nr = not ranked at midyear 1997.
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Store Cards (from page 1)
... 1% from \$84.64 billion.

Compared to third-party private label card issuers, stores that issued their own cards in 1997 accounted for a 62.2% share of outstandings, up from 60.8% in 1996. This reversed a multiyear trend that had third-party issuers gaining on retailers. Retailers that operated their own programs owned \$52.85 billion in outstandings — an increase of \$1.43 billion. These retailers reported total volume charged to their cards of \$65.46 billion representing 58.0% of the volume on retail cards, up from 57.7% the prior year. They also accounted for 76.6% of cards issued, up from 76.5%.

Private label issuers that operated programs for retail clients reported outstandings at year-end 1997 of \$32.18 billion, a decrease of \$998.4 million or 3%. Volume was down less than 1% to \$47.44 billion, while cards increased from 138.8 million to 140.1 million. Many private label issuers got out of the business in 1997 by selling or shutting down their programs, including National City, US Bancorp, Avondale Financial, First of America, First National of Commerce, Old Kent Bank, Liberty Bank, and Comerica. Prior issues: 672, 671, 668, 667, 666, 663, 662, 661, 647 □

THE NILSON REPORT
NUMBER 673 AUGUST 1998

STORE CREDIT CARD RESULTS

Issuer, Rank Headquarters	Out- standings (mil.)	% Chg.	Charge Volume (mil.)	% Chg.	Acc- tal (000)
1. Sears, Roebuck Chicago, Illinois (1)	\$28,945.0	+7%	\$19,965.0	+7%	65,500
2. GE Capital Stamford, Connecticut PL	\$15,710.0	0%	\$25,528.8	+2%	69,277
3. JCPenney Plano, Texas	\$5,242.2	-3%	\$9,402.3	-5%	77,056
4. Household Retail Prospect Heights, Ill. PL	\$4,375.7	+3%	\$3,690.0	-5%	7,071
5. Beneficial Corp. Wilmington, Del. (2) PL	\$3,517.0	-3%	\$4,624.0	+17%	9,496
6. Dayton Hudson Minneapolis, Minnesota	\$2,424.0	+11%	\$4,215.6	-12%	26,700
7. Banc One Dayton, Ohio PL	\$2,350.4	-7%	\$2,338.4	-14%	6,803
8. Federated Dept. Stores Mason, Ohio	\$2,221.6	-3%	\$4,880.7	-7%	28,420
9. May Dept. Stores St. Louis, Missouri (3)	\$2,164.0	-10%	\$5,800.0	-3%	28,000
10. SPS Trans. Serv. Riverwoods, Illinois (4) PL	\$1,900.0	-14%	\$4,350.0	-13%	10,000
11. Alliance Data Syst. Columbus, Ohio PL	\$1,846.1	+1%	\$3,001.0	-3%	26,760
12. Circuit City Richmond, Virginia	\$1,702.0	+11%	\$2,430.7	-9%	4,830
13. Spiegel Group Beaverton, Oregon	\$1,374.7	-15%	\$956.5	-21%	12,013
14. Dillard's Phoenix, Arizona	\$1,186.5	+3%	\$2,701.0	-2%	14,900
15. Army & Air Force Exchange Dallas, Texas	\$1,086.8	-9%	\$607.8	+1%	1,444
16. Proffitts Jackson, Mississippi (5)	\$800.0	+100%	\$1,700.3	+70%	6,000
17. Nordstrom Englewood, Colorado	\$733.5	+3%	\$1,458.0	-12%	9,051
18. Citicorp Retail Serv. Melville, N.Y. PL	\$693.0	-1%	\$1,700.3	-2%	9,591
19. Jewelers Financial Irving, Texas	\$616.4	+11%	\$636.5	-12%	2,359
20. Mercantile Credit Baton Rouge, La. (6)	\$570.2	-4%	\$883.8	+1%	3,802
21. Bridgestone/Firestone Brookpark, Ohio	\$479.0	-3%	\$416.6	-8%	3,914
22. Saks Fifth Avenue New York, N.Y. (7)	\$462.0	-1%	\$909.0	-1%	3,350
23. Neiman Marcus Group Dallas, Texas	\$440.8	0%	\$1,570.0	-1%	5,300
24. Kohl's Menomonee Falls, Wisconsin	\$423.0	+12%	\$648.5	-12%	2,375
25. Belk Stores Charlotte, North Carolina	\$415.4	+19%	\$845.0	-4%	400
26. Transamerica Benton Harbor, Mich. (8)	\$381.2	-22%	\$544.6	-11%	1,500
27. NationsBank Dover, Delaware PL	\$339.7	-10%	\$293.3	0%	1,360
28. Charming Shoppes Bensalem, Pennsylvania	\$335.0	-1%	\$369.0	-8%	8,900
29. Dial National Bank Des Moines, Iowa PL	\$320.3	+4%	\$205.0	+6%	388
30. Stage Stores Jacksonville, Texas (9)	\$310.0	+23%	\$510.0	+15%	6,800
31. Sterling Akron, Ohio	\$293.1	+2%	\$530.4	+2%	760
32. Green Tree Financial St. Paul, Minn. PL	\$285.0	+3971%	\$306.0	+2450%	675
33. American Gen. Fin. Salt Lake City, Utah PL	\$254.2	-59%	\$269.9	+89%	805
34. Navy Exchange Virginia Beach, Virginia	\$196.0	-2%	\$144.8	-6%	394
35. American Retail Pembroke Pines, Florida	\$193.9	-4%	\$415.0	-4%	1,960
36. Bosco's Laureldale, Pennsylvania	\$187.4	-2%	\$285.7	+1%	1,190
37. The Bon-Ton York, Pennsylvania	\$177.3	+24%	\$355.0	+3%	2,980
38. Elder-Beerman Dayton, Ohio	\$159.1	+4%	\$277.0	+7%	2,800
39. Associates First Capital Dallas, Texas PL	\$111.0	-70%	\$195.0	-53%	300
40. Pier 1 Imports Fort Worth, Texas	\$94.0	+8%	\$257.0	+15%	2,892
41. Shoppers Charge Mahwah, New Jersey PL	\$91.0	+45%	\$195.0	+57%	1,471
42. Gottschalks Fresno, California	\$87.8	+4%	\$216.0	+8%	790
43. Eaglemark Financial Chicago, Illinois	\$57.0	+235%	\$75.0	+275%	110
44. Cato Corp. Charlotte, North Carolina	\$51.0	+15%	\$72.0	+13%	1,200
45. ZCMI Salt Lake City, Utah	\$50.1	-10%	\$94.1	-9%	209
46. Jacobson's Jackson, Michigan	\$38.7	-15%	\$192.9	+7%	546
47. Bank of Louisiana Metairie, Louisiana PL	\$32.4	+5%	\$34.4	+11%	204
48. UMB Bank Kansas City, Missouri PL	\$32.2	-9%	\$86.0	-23%	251
49. Custom Data Baldwin, New York PL	\$29.7	+6%	\$175.0	+2%	451
50. Troutman's Emporium Eugene, Oregon	\$29.1	-4%	\$70.5	0%	594
Other Retailers	\$485.8	-9%	\$1,019.5	-10%	7,657
Other Private Label PL	\$297.5	-8%	\$451.0	-8%	575
Total (10)	\$85,032.4	+1%	\$112,898.7	+1%	486,171

LTS 1997

Units (000)	Cards Issued (000)
32,000	87,000
22,383	54,633
14,800	94,296
2,431	7,777
3,904	10,400
8,200	34,702
2,569	7,798
12,370	45,600
9,579	45,360
4,100	12,500
9,501	27,000
1,781	5,950
3,098	14,650
6,410	24,555
934	1,475
4,000	6,000
1,434	13,910
2,602	12,784
828	2,359
1,685	5,649
1,074	3,900
1,601	4,690
1,300	5,300
998	3,206
0	4,964
550	2,000
556	1,307
1,340	9,800
326	506
2,100	7,900
534	1,098
588	742
201	567
218	268
852	3,450
478	1,547
1,250	4,460
506	3,950
101	300
562	3,289
300	1,198
343	1,400
58	134
405	1,180
121	279
149	807
88	301
106	280
261	386
151	2,388
2,382	10,709
1	1,655
166,174	598,259

PL = private-label companies that own receivables generated by credit cards they issue on behalf of clients whose name

appears on the cards, which are usable only at outlets owned or controlled by the client, including retailers such as Montgomery Ward, Macy's, etc. Excludes co-branded Visa and MasterCard cards of issuers Nordstrom and Federated and proprietary oil company cards of GE Capital (Exxon) and Associates (Amoco and Texaco). Some prior year figures have been restated.

(1) Includes Western Auto and Orchard Supply. (2) Was acquired by Household in 1998. (3) Active account and card figures are estimates.

(4) Was acquired by Associates in 1998. (5) Includes Carson Pirie Scott. (6) Was acquired by Dillard's in 1998. (7) Was acquired by Proffitts in 1998. (8) Acquired Whirlpool Financial National in 1997. (9) Was called Speciality Retailers - includes Palais Royal, Bealls, and others. (10) Totals do not include duplication from, for example, Citicorp as processor for Navy Exchange. Fingerhut and other direct marketers are not included because cards are not issued to credit customers.

OTHER PRIVATE LABEL

- Bank of New Hampshire Manchester, New Hampshire Bank of Raleigh Beckley, West Virginia Commerce Bank & Trust Worcester, Massachusetts CrediCard Nat'l San Antonio, Texas Fifth Third Bank Cincinnati, Ohio First Chicago NBD Troy, Michigan First Community Bank Bluefield, West Virginia First Family Financial Atlanta, Georgia First Financial Stevens Point, Wisconsin First National of Commerce New Orleans, Louisiana Intrust Bank Wichita, Kansas Security Savings Olathe, Kansas Travelers Bank Wilmington, Delaware and others.

OTHER RETAILERS - CWT Specialty So. Attleboro, Massachusetts Dunlap Companies Fort Worth, Texas Gantos Grand Rapids, Michigan Harris Dept. Stores San Bernardino, California Liberty House Honolulu, Hawaii Peebles South Hill, Virginia Swezey's Patchogue, New York and others.

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SEARS

GE Capital

JCPenney

Household

DAYTON HUDSON

Federated DEPARTMENT STORES, INC.

MAY

Alliance Data

Subprime (from page 1) ... institution was shut down by the state's bank commissioner. The FDIC will keep the accounts open until a buyer or buyers can be found. Visa staff who were on-site within hours of the BestBank closure reminded FDIC liquidators that bank card portfolios are usually easier to sell than any other asset of a failed bank, and that a sale would proceed more smoothly if there were no interruption in serving cardholders or processors. The FDIC missed only one full payment of its settlement account on the date of takeover due to operational difficulties. The amount was made up the next day and that account has been current since then. BestBank's deposits, which were sold immediately to Pueblo Bank and Trust by the FDIC, affected 6,500 MasterCard debit cards tied to brokerage accounts at Alliance Capital. Those accounts were cut off for a few hours while the FDIC determined which funds on deposit were tied to that business.

Processing of credit cardholder accounts has been handled by First Independent Computers, a subsidiary of Columbia Capital Corp. The Credit Store, which recently sold BestBank 4,500 performing subprime accounts with \$7 million in outstandings, is continuing to service those accounts. Merchant processing continues to be handled by First Data Corp. Jeff Conwell is Assistant Regional Manager at the Federal Deposit Insurance Corp. in Dallas, Texas, (972) 761-8216, fax (972) 761-8241. □

BestBank was ranked 90th among U.S. issuers with \$145 million in outstandings at year-end 1997, and ranked 62nd with \$217 million by midyear 1998. BestBank cardholders were primarily solicited from the subprime market. Although most accounts were partially collateralized, methods of solicitation led to charge-off rates even higher than the particularly high levels generated by financial products tailored for subprime prospects. BestBank used outside telemarketers to pitch travel benefits requiring up-front payments. When cardholders changed their minds and asked for refunds, telemarketers had already been paid their sales commission.

FIRST PERFORMANCE CORP., formed in July 1996 with financial backing of Pacific Holdings Corp. of Dallas, employs 450 collection associates in Ft. Lauderdale and Las Vegas. Facilities can accommodate another 550 employees as needed. The company has 40 clients and is currently working on over 300,000 accounts monthly. FPC uses 128 autodialers made by EIS International. It connects on-line to each client's loan or leasing collection system, so that the client can monitor all communications with cardholders 24 hours a day by plugging into any telephone conversation at any time.

Monthly fees for working on accounts less than 30 days delinquent is around \$3.00 per month. Older accounts range from \$9.15 per month on up. The ratio of managers to representatives is the lowest in this industry at one for every ten employees. The fee per account collected averages \$35 — about 1% of the amount collected.

First Performance entered into an alliance with Total System Services (TSYS) in 1996 as the recommended provider of delinquency management tools for all clients of TSYS, the nation's major competitor of First

CLIENTS

Dayton Hudson
Wells Fargo
Bank One
First USA
Bank of America
Sunoco
Auto Financiers

Data Corp. for processing of credit cardholder accounts. Prior issue: 629

Wayne Johnson, Chairman and Co-founder, was most recently Executive VP at First Data Corp. and prior to that Executive VP at Visa USA. Offices are in Tucker, Georgia, (770) 938-9355, fax (770) 938-9331.

In 1987 Johnson formed Integratec, purchased by Equifax. In 1990 Johnson formed Qualitec, a precharge-off and telemarketing company later sold to First Data Corp.

Michael Diamond, President and Co-founder who heads the company, was most recently Executive VP at First Data Corp.'s ACB Business Services. Before that he was President of Capital Credit Corp., and Senior VP at American Express. Offices are in Ft. Lauderdale, Florida, (954) 771-6670, fax (954) 771-6671.

John Tonetti heads western operations in Las Vegas. He was formerly National Director Risk Control for Household Credit Services, and Regional VP of Credit Operations for American Express. Offices are in Las Vegas, Nevada, (702) 951-1000, fax (702) 951-1001.

CREDIT PERFORMANCE SERVICES, the precharge-off outsourcing unit of First Data Corp., was formed in 1994 as a result of the acquisition of Qualitec in 1992. The majority of its clients are card issuers who use First Data Corp.'s processing, risk-monitoring, and other services, while keeping their own personnel on-site to oversee collection of their accounts. CPS operations are on-line to the mainframe of large clients for instant review of results. Precharge-offs are handled for a fee and charge-offs are collected on a commission basis.

CPS employs over 1,000 full-time associates and is currently handling an average 275,000 accounts monthly for 40 clients. Chase Manhattan is the largest. New software in development will allow CPS to work on precharge-offs for issuers who are not already clients by establishing similar on-line connections to those issuer's mainframes.

CPS was recently merged into FDC's TeleCheck subsidiary. In addition to operations in Atlanta, CPS has facilities located in Chase's former credit card center in Matteson, Illinois (sold to FDC in 1994 when Chase acquired Chemical), headed by VP Kevin McCormick. Ron Rovall is VP & Managing Director at CPS in Houston, Texas, (713) 331-7151, fax (713) 331-7892.

EQUIFAX RISK MANAGEMENT SERVICES. Equifax, founded nearly 100 years ago, has always been in the collection business, but began accepting precharge-offs after acquiring Integratec in 1993. It handles outsourcing for 25 clients working on an estimated 200,000 accounts monthly. Outsourcing is just one of many types of collection-related activities handled by RMS which also collects charge-offs on a contingency basis, does skip tracing, makes courtesy calls, and purchases debt outright from offices in Atlanta, Houston, and Kansas City. Another 14 offices handle collection of charge-offs only. RMS employees total 1,200.

RMS focuses on improving the rate of recovery rather than on reducing costs when compared to the client's own in-house collection operations, acting in the role of the "champion challenger" when judged by an independent group that conducts the comparisons. RMS connects with the client's mainframe on-line or operates from downloading. At Equifax, Jim Allhusen is Executive VP of North American Information Services reporting to President and CEO Bob Chapman. Ted Engel, formerly with Bank of America, is Senior VP, Equifax Risk Management Services in Atlanta, Georgia, (770) 300-7402, fax (770) 300-7444.

Outsourcing (from page 1) Each month, slightly more new accounts are being declared delinquent than are charged off as losses after 180 days. Currently, about 1.2 million new accounts tied to \$3.30 billion in outstandings are being added to the pool each month.

The bulk of collection efforts during the precharge-off period are handled by people employed full time by the card issuer, but an increasing number of accounts (currently about 8%) are being outsourced to firms that provide auxiliary services. Because these firms are not collection agencies, their employees can represent themselves to cardholders as employees of the card issuer. Collection agencies cannot do this ... they are licensed only to collect debt after it has been charged off, and their employees must say they are calling for a collection agency.

Cardholder payments prompted by calls from outsourcing companies go directly to the issuer who pays the outsourcer a monthly fee. When agencies collect cardholder payments, it's on a contingency basis with the agency deducting its commission and returning from 49% to 71% of the payment to the issuer.

The three leading companies helping credit card issuers recover cardholder debt during early stages of delinquency are First Performance Corp., Equifax, and First Data Corp. They employ 204 managers overseeing 2,450 collection associates who contact nearly one in every six delinquent bank card accounts in the U.S. monthly.

IN-HOUSE VS. OUTSOURCING. In-house collectors typically recover 80% of delinquent credit card debt during the six months prior to charge-off. The recovery rate for outsourcing firms is likely to be lower, in the 50% to 60% range, if the quality of accounts turned over to them are in higher-risk categories, more aged, and require more tracing. When both the type and aging of accounts is comparable to accounts being handled in-house, the cost of outsourcing has been shown to be as low as one-third the issuer's internal cost.

DELINQUENT BANK CARD ACCOUNTS - YEAR-END '97

Days Past Due	Accounts (Mil.)	% of Active Accounts	Average Balance Per Account	Total Past Due (Bil.)	% of Outstandings
30	2.82	1.58%	\$2,436	\$6.87	1.73%
60	1.58	0.89%	\$2,614	\$4.13	1.04%
90	1.11	0.62%	\$2,793	\$3.10	0.78%
120-180	1.57	0.88%	\$2,962	\$4.65	1.17%
TOTALS	7.08	3.97%	\$2,649	\$18.75	4.72%

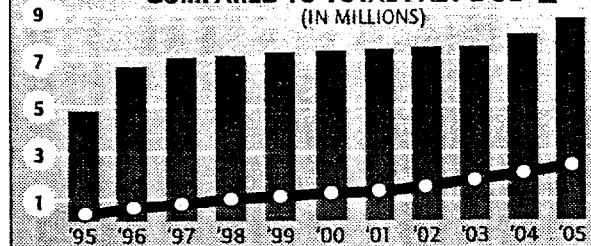
Visa and MasterCard credit cards in the U.S.

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These were the findings of Visa's Functional Cost Study which determined its members normally spend \$38 per account per month to collect precharge-offs.

The number of past-due bank credit card accounts will not increase substantially in the short term unless the economy were to move toward recession. But the number of accounts sent to outsourcing companies will grow steadily, and could amount to over one-fourth of all delinquent accounts by 2005. Large card issuers faced with an overload ... (turn to page 10)

OUTSOURCED DELINQUENT ACCOUNTS COMPARED TO TOTAL PAST DUE (IN MILLIONS)



BANK CARD DELINQUENCIES PROJECTED

Year	Outstandings (Billions)	PAST DUE				
		Amount (Billions)	% of Outstandings	Accts. (Mil.)	% of Actives	Average Balance
2005	\$696.88	\$32.06	4.60%	8.73	3.50%	\$3,671
2004	\$639.34	\$27.49	4.30%	8.08	3.40%	\$3,405
2003	\$586.55	\$24.05	4.10%	7.44	3.26%	\$3,234
2002	\$553.35	\$23.79	4.30%	7.42	3.38%	\$3,207
2001	\$519.88	\$23.39	4.50%	7.33	3.50%	\$3,194
2000	\$486.48	\$22.38	4.60%	7.26	3.60%	\$3,082
1999	\$455.26	\$21.40	4.70%	7.21	3.80%	\$2,968
1998	\$425.36	\$20.42	4.80%	7.09	3.91%	\$2,879
1997	\$396.99	\$18.75	4.72%	7.08	3.97%	\$2,649
1996	\$366.30	\$17.73	4.84%	6.70	3.92%	\$2,647
1995	\$320.78	\$12.62	3.93%	4.80	2.93%	\$2,628

Visa and MasterCard credit cards in the U.S.


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Outsourcing (from page 9) ... of delinquencies should consider outsourcing as an alternative to hiring temporary help. Outsourcing at least 10% to 15% of their receivables provides a benchmark against which efficiency of in-house operations can be compared. Most issuers with less than 25,000 accounts should outsource all precharge-offs.

The government's Comptroller of the Currency is considering requiring all banks to charge off debt at 150 days instead of 180 days. That would put pressure on in-house collectors to recover the same percent of delinquent accounts in five instead of six months, a task not possible without outsourcing or increasing the size of their internal collection operations by hiring more managers, buying new equipment, finding more space, etc. □

Visa Electron (from page 1) ... Arab Emirates in 1982 when it was known simply as "Electron." Today it is used as both a point-of-sale and an ATM mark, authorizing POS transactions only when cards are swiped in an electronic terminal. No PIN is required. Cards are not embossed. Transactions are cleared and settled in the same dual-message format as transactions on Visa credit and debit cards with the hologram and flag logo — an initial authorization message is followed by the settlement message some hours later. This differs from Visa's Interlink-brand debit product where transactions are PIN-based and require transmission of all data related to authorization, clearing, and settlement at the time of purchase in a single message.

Korea's Shinan Bank was first in the Asia/Pacific region to issue Interlink cards in 1993.



The Visa Electron brand, which appears on more than 26 million cards throughout Europe, was introduced to Latin America in Venezuela in 1990 and appears on more than 24 million cards in that region. In the Middle East, Visa Electron is marked on more than 1.6 million cards. Visa Electron was launched in Africa in Zimbabwe in 1997 and now appears on 80,000 cards in several countries on that continent. Visa Electron cards are not issued in the U.S. or Canada.

DEBIT CARDS BY WORLD REGION (MIL.)

Region	Electron	Maestro	Total
United States	32.0*	32.5	64.5
Europe	26.4	113.1	139.5
Asia/Pacific	17.1**	36.1	53.2
Latin America	23.9	13.2	37.1
Canada	None	6.2	6.2
Middle East/Africa	1.6	4.4	6.0
TOTAL	101.0	205.5	306.5

Figures are for electronic authorization-only debit cards as of December 31, 1997. *Interlink brand cards. **Interlink brand cards will convert to Visa Electron.

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quarter. Doug Lawson is Director at Visa International in Singapore, (65) 437-5826, fax (65) 437-5802. Prior issues: 660, 649, 631, 628, 627, 617, 610, 607, 597, 585 □

August 15, 1998



H. Spencer Nilson